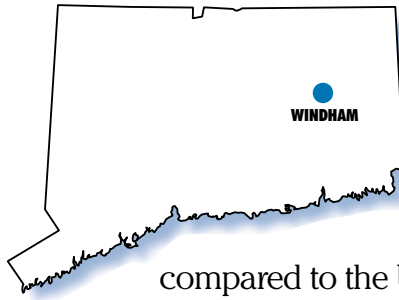
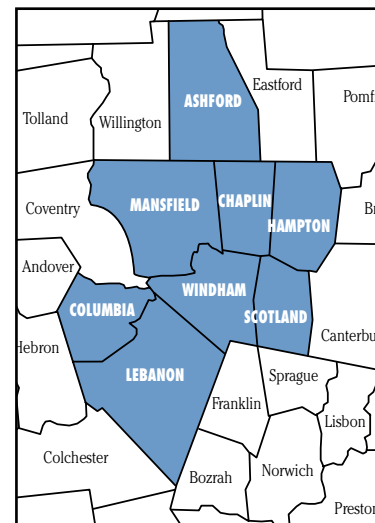


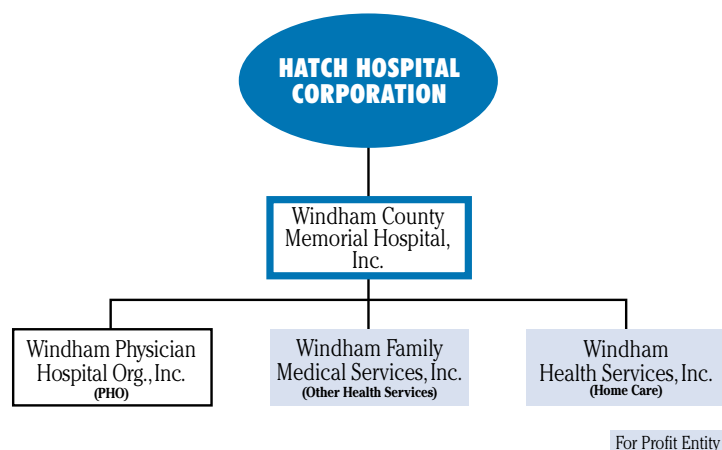
WINDHAM COMMUNITY MEMORIAL HOSPITAL

Windham Community Memorial Hospital, founded in 1908, is located in Windham and, in addition to that town, primarily serves seven other towns. In FY 1999, the hospital



staffed 92 of its 130 licensed beds and employed 440 Full Time Equivalents. The hospital's average age of plant is 12.5 years as compared to the U.S. average of 9.2 years.



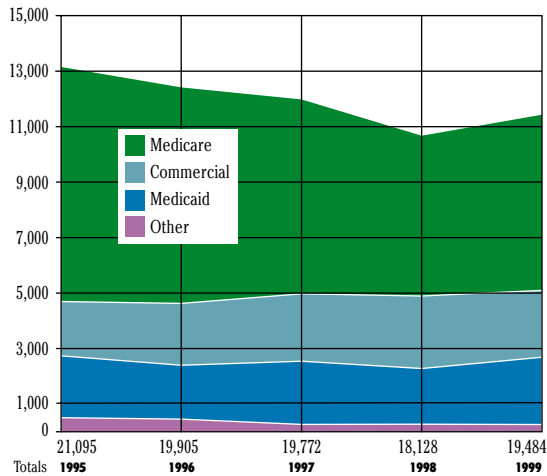


MARGINS	1997	1998	1999
Total margin	2.63%	4.72%	4.56%
Operating margin	2.74%	2.17%	2.27%

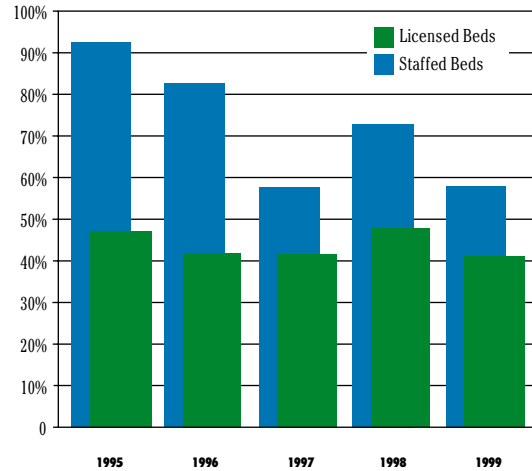
PAYMENT TO COST RATIOS BY PAYER			
Ratio of cost to charges	.51	.46	.45
Medicare Payment to Cost	.94	.91	.86
Medicaid Payment to Cost	.65	.82	.51
Private Payment to Cost	1.31	1.30	1.33
Uncompensated Care Cost	\$1,548,309	\$1,802,958	\$2,388,816
Total expenses	\$46,097,779	\$41,903,521	\$45,859,024
Uncompensated care % of total expenses	3.36%	4.30%	5.21%

CAPITAL STRUCTURE RATIOS			
Equity financing ratio	27.80%	29.42%	32.80%
Debt service coverage	1.86	2.18	2.53

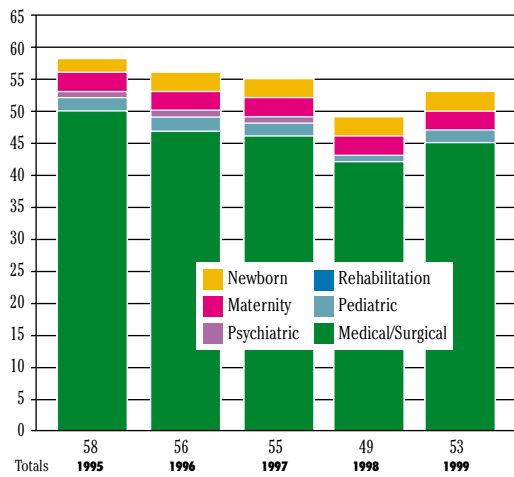
LIQUIDITY MEASURES			
Days of expenses in accounts payable	98.45	102.46	75.80
Days cash on hand	77.85	85.01	77.39
Days of revenue in accounts receivable	49.41	55.65	61.44



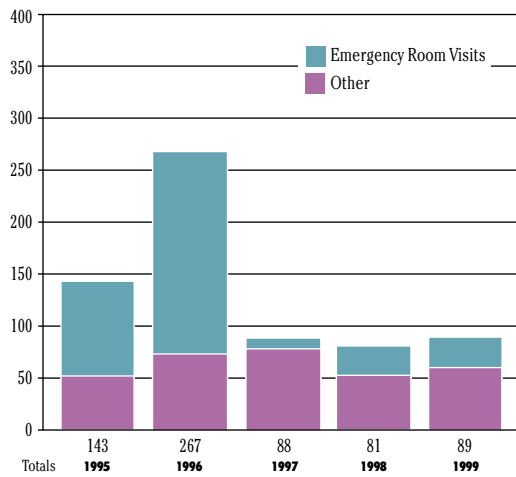
PATIENT DAYS BY PAYER



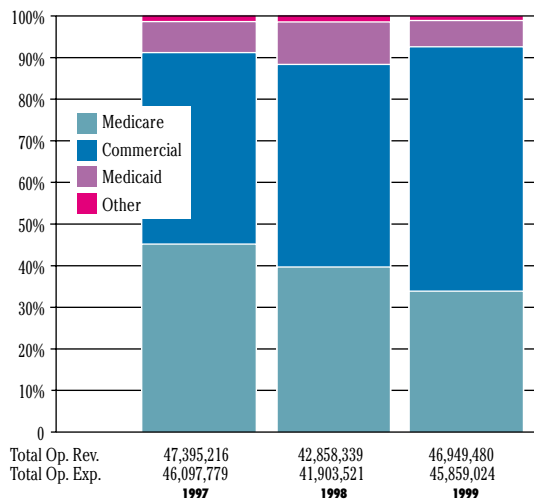
AVERAGE OCCUPANCY



AVERAGE DAILY CENSUS BY SERVICE



AVERAGE DAILY OUTPATIENTS



NET PATIENT REVENUE BY PAYER

KEY PERFORMANCE DRIVERS

- ◆ Windham Hospital has limited competition from other hospitals. The closest acute care facility is approximately 35 minutes away. While physicians do not currently compete with the hospital, management is concerned about planned freestanding ambulatory centers.
- ◆ The hospital maintains an active Physician Hospital Organization (PHO), originally designed to enter into managed care risk contracts. The PHO has remained active despite a decline in risk-sharing arrangements.
- ◆ Inpatient volume and revenue growth between 1998 and 1999 greatly contributed to the hospital's positive 1999 operating margins.
- ◆ Commercial payers represented approximately 59 percent of the hospital's net patient revenue in 1999, up from 46 percent in 1997. The hospital's payer mix has shifted significantly in the last three years.
- ◆ Management recently implemented a series of initiatives to improve cash flow, and was able to significantly reduce accounts payable balances.
- ◆ Recruitment of clinical and non-clinical staff is proving to be increasingly difficult.
- ◆ In 1998, the hospital entered into a one-year, \$2.9 million capital lease agreement for a replacement Computer Tomographic (CT) scanner and a Magnetic Resonance Imaging (MRI) unit. Since acquiring the new equipment, combined CT/MRI volume has increased 30 percent.
- ◆ The hospital's clinical information systems need to be upgraded across all departments.

SITE VISIT ISSUES RAISED BY HOSPITAL MANAGEMENT

Healthlink. Developed and initially funded by the PHO, Healthlink is a secure Internet system utilized by approximately 90 percent of referring physicians' offices. The system provides physicians with remote access to diagnostic results from the hospital.

Managed Care. While Windham historically has been successful in negotiating with private payers, hospital management is frustrated with the degree to which annual payment charges lag behind hospital inflation. Many payers are negotiating contracts more aggressively.

Margins. Potential future declines in operating margins may hinder the hospital's ability to continue to subsidize community education and support programs.

Workforce. The shortage of staff is affecting hospital costs and operating margins.

Physician Relations. The hospital's success is largely attributable to a positive relationship between management and the medical staff.